

Message Text

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ACTION ARA-17

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E. O. 11652: N/ A

TAGS: EFIN VE

SUBJECT: GOVERNMENT FINANCES - BUDGET

1. FINANCE MINISTER OBERTO SUBMITTED TO CONGRESS

JULY 2 BUDGET BILL FOR 1974 TOTALLING BS. 14,569

MILLION. BUDGET 5.1 PERCENT HIGHER THAN APPROVED 1973

BUDGET OF BS. 13,857 MILLION AND 2.3 PERCENT HIGHER THAN

MODIFIED BUDGET FOR 1973 OF BS. 14,223 MILLION.

MODIFIED BUDGET WAS RESULT OF SUPPLEMENTAL APPROPRI-

ATIONS MADE THUS FAR DURING YEAR. SUMMARY OF 1974

BUDGET BILL FOLLOWS:

INCOME	MILLIONS OF BS.	PERCENT
I. EXTERNAL SECTOR	9,863	68
1) INCOME FROM PETROLEUM	9,555	66
A) ROYALTIES FROM PETROLEUM	3,899	20
B) INCOME TAX	6,476	45
C) CHANGES IN PROFITS	180	1
2) INCOME TAX FROM IRON	182	1
3) EXTERNAL LOANS	126	1

II. INTERNAL SECTOR	4,706	32
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1) DIRECT TAXES	2,161	15
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2) INDIRECT TAXES	2,023	14
3) ASSESSMENTS	298	2
4) OTHER	224	1
TOTAL INCOME	14,569	100

EXPENDITURES

I. CURRENT	8,749	60
1) EDUCATION	2,682	19
2) MEDICAL ASSISTANCE	1,272	8
3) DEFENSE, JUSTICE AND PUBLIC ORDER	1,371	9
4) OTHER ADMINISTRATIVE EXPENSES	1,919	14
5) TRANSFERS TO REGIONAL ENTITIES	1,505	10

II. PUBLIC DEBT	733	5
1) AMORTIZATION	438	3
2) INTEREST	267	2
3) ADMINISTRAT. DEBT	28	

III. CAPITAL EXPENDITURES	5,087	35
1) BUILDINGS FOR EDUCAT. & MED. ASSISTANCE	185	1
2) TRANSP. & COMMUNICAT.	997	7
3) AGRICULT. INVESTMENT	437	3
4) ACQUISIT. OF MACHINES & EQUIP.	482	3
5) OTHER REAL INVESTMENTS	262	2
6) FINANCIAL INVESTMENT	80	1
7) TRANSFERS OF CAPITAL TO REGIONAL ENTITIES	715	13
8) TRANSFERS TO AUTONOMOUS COOPERATION	1,929	5
TOTAL EXPENDITURES:	14,569	100

2. 99 PERCENT OF 1974 BUDGET WILL BE FINANCED BY ORDINARY RESOURCES, THE REMAINDER BY PUBLIC DEBT. PETROLEUM REVENUES ARE PROJECTED TO CONTRIBUTE 66.2 PERCENT OF TOTAL ORDINARY REVENUE COMPARED TO 64 PERCENT IN THE 1973 BUDGET. THIS ESTIMATE IS BASED ON CRUDE AND LIQUIFIED NATURAL GAS PRODUCTION OF 3,340,000 BARRELS PER DAY (1.7 PERCENT LOWER THAN ACTUAL PRODUCTION THUS FAR FOR 1973).
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INCOME TAX FROM INTERNAL ACTIVITIES OTHER THAN PETROLEUM AND IRON, HAS BEEN ESTIMATED TO GROW 9 PERCENT OVER THAT ESTIMATED FOR 1973.

3. CAPITAL EXPENDITURES WILL ABSORB A SIMILAR PROPORTION OF BUDGET AS IN 1973. IT IS ESTIMATED THAT GOVERNMENT CURRENT SURPLUS WILL REACH BS. 5,398

MILLIONS FROM WHICH A TOTAL OF BS. 1,966 MILLIONS WILL BE INVESTED IN FIXED CAPITAL FORMATION. THIS AMOUNT ADDED TO SURPLUS SAVINGS FROM GOVERNMENT AUTONOMOUS CORPORATIONS WILL BE ONE THIRD OF THE TOTAL ESTIMATED VENEZUELAN SAVING FOR 1974.

4. ACCORDING TO OBERTO MAIN OBJECTIIVES OF 1974 BUDGET ARE: (1) TO COMPLEMENT PRIVATE INITIATIVE WITH PUBLIC ACTION. (2) TO GENERATE A SATISFACTORY EMPLOYMENT RATE THROUGH THE UTILIZATION OF IDLE RESOURCES AND MAINTENANCE OF RELATIVE PRICE STABILITY. (3) TO INCREASE EXPENDITURES IN WHAT TENDS TO SERVE THE NECESSITIES OF THE COMMUNITY AND PERMITS UTILIZATION OF DEVICIT SPENDING IN DEFICIENT SECTORS OF THE ECONOMY OR TTO COMPENSATE FOR INFLATIONARY PRESSURES. (4) TO INCREASE PRODUCTION OF GOODS AND SERVICES ESSENTIAL TO VENEZUELAN DEVELOPMENT BY DIRECTING GOVERNMENT CREDITS AND UTILIZING FISCAL INCENTIVES TO STIMULATE INVESTMENT. (5) TO DISTRIBUTE BETTER NATIONAL INCOME THROUGH ESTABLISHMENT OF FAIRER TAX SYSTEM AND EXPENDITURE DISTRIBUTION. (6) TO INCREASE GOVERNMENT EXPENDITURES USING NON- INFLATIONARY METHODS.

5. COMMENT: DESPITE GOVERNMENT CLAIMS OF DIVERSIFYING AWAY FROM PETROLEUM, THROUGH EMPHASIS ON PRODUCTION OF NON- TRADITIONAL EXPORTS, 1974 BUDGET INDICATES EVER-INCREASING DEPENDENCE ON REVENUE FRM PETROLEUM. ON EXPENDITURE SIDE PROPORTION OF BUDGET ASSIGNED TO EDUCATION CONTINUES TO INCREASE AS OPPOSED TO PUBLIC INVESTMENT DESIGNED TO PROVIDE NEW EMPLOYMENT. IF TENDENCY CONTINUES VENEZUELA COULD FIND ITSELF IN POSITION OF HAVING TDER EDUCATED POPULATION WIHES RTNMUFFICIENT EMPLOYMENT AT TIME REVENUE FROM PETROLEUM RUNS OUT.

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6. SINCE BUDGET WAS FORMULATED IN CLOSE COORDINATION WITH FINANCE COMMITTEES OF CONGRESS, LITTLE OPPOSITION IS EXPECTED TO ITS APPROVAL. NEITHER OF THE MAIN POLITICAL PARTIES IS INCLINED TO BE OBSTRUCTIONIST AT THIS TIME IN LIGHT OF THE COMMON DISIRE TO ADJOURN CONGRESS IN ORDER TO CAMPAIGN FOR THE COMING ELECTION.

7. COMPLETE RESUME OF 1974 BUDGET WILL BE TRANSMITTED BY AIRGRAM AS SOON AS POSSIBLE.
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*** Current Classification *** LIMITED OFFICIAL USE

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